

Nuance Concentrated Value Long-Short Fund



Third Quarter 2020

Investment Objective

The Nuance Concentrated Value Long-Short Fund seeks long-term capital appreciation by taking long positions in securities priced below, and short positions in securities priced above, our internal view of their estimated intrinsic value.

Portfolio Constraints

- # of Long Holdings: 15 to 35
- # of Short Holdings: 0 to 50
- Long Exposure: 75% to 100%
- Short Exposure: 0% to 100%
- Max Gross Exposure: 200%

Fund Details

Class:	Institutional	Investor
Ticker:	NCLSX	NCLIX
Inception:	12/31/15	12/31/15
Cusip:	56166Y255	56166Y263
Min Invest:	\$10,000	\$2,500
Invest Mgmt Fee:	1.00%	1.00%

Process Overview

On the long side of the Nuance Concentrated Value Long-Short Fund (the Fund) investment portfolio, the Nuance Investment Team is looking for industry leading businesses with strong and stable competitive positions. Generally, these businesses have leading marketshares within their various areas of expertise, have strong balance sheets and exhibit rational capital allocation policies. The Investment Team is seeking to buy these businesses when they are under-earning their long-term potential due to cyclical and/ or transitory issues, and when security valuations offer what we believe to be meaningful upside potential and reasonable support on the downside.

On the short side of the Fund investment portfolio, the Investment Team is looking for large businesses with more commoditized or structurally challenged competitive positions. These businesses may or may not be industry leaders. The Investment Team is seeking to sell these businesses when they are over-earning their long-term potential due to cyclical and/ or transitory issues, and when security valuations offer what we believe to be reasonable support on the upside and meaningful downside potential.

Portfolio Managers



Chad Baumler, CFA
Vice President & Co-CIO
13 Years of Experience

Scott Moore, CFA
President & Co-CIO
29 Years of Experience

Darren Schryer, CFA, CPA
Associate Portfolio Manager
4 Years of Experience

Performance as of September 30, 2020

As of 9/30/2020 Inception Date 12/31/15	Since Inception Return	3 YR	1 YR	YTD	QTD	Gross Expense Ratio	Net Expense Ratio
Nuance Concentrated Value Long-Short Fund (NCLSX) - Institutional	4.58	1.87	2.77	-2.57	-10.76	3.46%	3.34%
Nuance Concentrated Value Long-Short Fund (NCLIX) - Investor	4.27	1.60	2.49	-2.78	-10.81	3.71%	3.59%
S&P 500 Index	13.31	12.28	15.15	5.57	8.93		
Morningstar Long/Short Equity	3.09	1.90	1.78	-2.09	3.98		

Performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 1-855-682-6233.

The Fund has contractually agreed to reduce its management fees, and may reimburse the Fund for its operating expenses, in order to ensure that Total Annual Fund Operating Expenses (Excluding acquired fund fees and expenses, leverage, interest, dividend and interest expense on short sales, taxes, brokerage commissions, and extraordinary expenses) do not exceed 1.30% of the average daily net assets of the Institutional Class through at least 08/28/2021. Net expense ratios are as-of the Fund's most recent prospectus and are applicable to investors. Performance presented is net of fees and fund expenses.

General Market Commentary

	12/31/18	3/31/19	6/30/19	9/30/19	12/31/19	3/31/20	6/30/20	9/30/20
Cash	17.7%	17.4%	16.9%	14.4%	15.0%	6.2%	10.1%	14.3%
Long Equities	82.3%	82.6%	83.1%	85.6%	85.0%	93.8%	89.9%	85.7%
Short Equities	75.9%	98.3%	99.3%	100.9%	99.7%	58.1%	85.9%	98.7%
Gross Exposure	158.2%	181.0%	182.5%	186.6%	184.7%	151.9%	175.8%	184.4%
Net Exposure	6.3%	-15.7%	-16.2%	-15.3%	-14.7%	35.8%	4.1%	-13.0%

The Investment Team believes the investment opportunity set continues to be balanced as of the 3rd quarter 2020, with attractive risk/rewards to be found on both sides of the Fund's investment portfolio. As a point of reference, as of 9/30/20, the median company in the proprietary Nuance long universe, which consists of approximately 250 companies we view as industry leaders, was trading at a greater than 30% premium to what the Investment Team would consider to be fair value. In other words, the universe appeared greater than 30% over-valued on average, per our internal estimates. In addition, according to our company-by-company valuation work, this same universe had more than 65% downside potential. This implies that if our list of 250 companies were to all trade down to their historic trough valuation multiples, then the average stock in our long universe could go down by more than 65%.

As one can see from the table above, the Fund ended the quarter with a net -13.0% short equity exposure. On the long side of the portfolio, the Investment Team believes attractive investments with reasonable risk/rewards can still be found, even though our Nuance long universe as a whole is over-valued, in our opinion. Sub-industries of the economy that meet our investment criteria include Property & Casualty Insurance, Health Care Supplies, Health Care Equipment, and Packaged Foods & Meats; all sub-industries that have been disproportionately affected by the coronavirus pandemic. On the short side of the portfolio, the Investment Team believes the opportunity set is once again healthy with what we believe to be attractive short investments in sub-industries such as Industrial Machinery, Railroads, Specialty Chemicals, and Homebuilding.

Featured Investment

Long Chubb Ltd. (CB) - CB is a leading commercial property and casualty (P&C) insurer for large businesses as well as the dominant ultra-high net worth personal lines insurer in the US. CB has a leading market share position in the majority of its product lines including General Liability, Professional Liability, and US high net worth homeowners, for example. Chubb Ltd is a product of the 2016 merger between ACE Limited and The Chubb Corporation, both companies that standalone were leaders in their respective niches and now, following the combination, have successfully integrated to become one of the most respected insurance companies in the world. CB's debt to capitalization in the low 30%'s has led S&P, as of 01/24/2020, to give CB's debt an A rating, which compares favorably to peers. When this leading market share and in our view, better than average balance sheet are paired with the CB management team's rational, yet sometimes bold, capital allocation prowess, it leads the Investment Team to conclude that CB's overall competitive position is meaningfully above average.

CB is expected to earn around \$7.00 per share this calendar year vs. the Investment Team's internal estimate of mid-cycle earnings of around \$10.50 per share. The primary culprit of this under-earnings is around \$900M of realized investment losses in CB's securities portfolio in the 1st quarter of 2020, followed by roughly \$1,500M of coronavirus pandemic losses related to business interruptions and event cancellations that were booked in the 2nd quarter of 2020. The combination of these two expense items caused CB's net income to be close to breakeven for the first six months of this year. The Investment Team believes both items are unlikely to recur and will therefore prove to be transitory in nature. Examined from a slightly different perspective, CB's estimated earnings this year of around \$7.00 per share equates to a roughly 10% return on tangible equity vs. the combined Chubb/ ACE long-term average return on tangible equity of around 15%. We believe the 10% return on tangible equity level is unlikely to be the new long-term average and that a reset back to levels more consistent with history has a high probability of occurring, should the above-mentioned expense items indeed prove to be transitory.

As of 9/30/20, CB was trading at around \$115 per share or about 11.0x the Investment Team's estimate of normalized or mid-cycle earnings per share. When compared to both our entire Nuance long universe, which was trading at around 28x our estimate of mid-cycle earnings, and compared to CB's own historical average Price to Earnings multiple of around 12.5x earnings, this current valuation multiple looks inexpensive, in our opinion. Additionally, our internal approximation of CB's downside potential was estimated to be around 45% as of 9/30/20, which compares favorably to the estimated downside potential of our Nuance long universe of greater than 65% mentioned above. If CB's earnings per share were to step-change higher, as explained above, and CB's earnings multiple were to revert back up to its long-term average, then we believe attractive relative and absolute upside could be generated by investing in CB at today's price. This combination of under-earnings caused by transitory issues and under-valuation in a company with an above average competitive position is exactly what our Investment Team is looking for in a long investment and explains why CB is a top holding today.

You should consider the fund's investment objectives, risks, charges and expenses carefully before investing. For a statutory or summary prospectus, that contains this and other information about the Funds, call 1-855-NUANCE3 (855-682-6233) or visit our website at www.nuanceinvestments.com. Please read the prospectus carefully before investing.

Mutual fund investing involves risk. Principal loss is possible. Investments in small and mid-capitalization companies involve additional risk such as limited liquidity and greater volatility than larger capitalization companies. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund. Short sale of securities involves unlimited risk including the possibility that losses may exceed the original amount invested. However, a mutual fund investor's risk is limited to one's amount of investment in a mutual fund.

The Primary Benchmark for the Fund is the S&P 500 Index. The S&P 500 Index is a market-value weighted index representing the performance of 500 widely held publicly traded large-capitalization stocks. Individuals cannot invest directly in any index. These indices are used for comparison purposes only and are not meant to be indicative of a portfolio's performance, asset composition, or volatility. The performance of the Fund may differ markedly from that of compared indices due to varying degrees of diversification and/or other facts. Return figures for all performance shown provided by US Bank. Returns for periods greater than a year have been annualized.

Nuance Investments is the advisor to the Nuance Mid Cap Value Fund, the Nuance Concentrated Value Fund and the Nuance Concentrated Value Long-Short fund which are distributed by Quasar Distributors, LLC.

Tangible Equity = Tangible Equity is defined as a company's total equity less preferred stock, goodwill, and other intangible assets.

As of 9/30/2020 portfolio weights of names discussed are as follows: Chubb Ltd. (CB) 6.55%.

Earnings growth is not representative of the Fund's future performance.

Morningstar Long-Short Equity - The Fund has been compared to various peer groups defined by investment style. The Fund is an all market capitalization value investment style. The Morningstar Long/Short Equity Peer Group (as selected by Morningstar) has been presented as an investment strategy with a similar investment style.

GIPS Compliance Statement

Nuance claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. The U.S. Dollar is the currency used to express performance returns and assets. The firm maintains a complete list and description of composites, which is available upon request. More information regarding Composite descriptions and policies for valuing portfolios, calculating performance, and compliant presentations are available upon request by contacting client.services@nuanceinvestments.com or 816-743-7080.

The definition of the firm is the foundation for firm-wide compliance and creates defined boundaries for determining the assets of the firm. In this instance, the firm is defined as Nuance Investments, LLC (Nuance). Nuance founded on November 1, 2008, was formed on the belief that the ability to outperform the broad stock market is predicated on a consistent and disciplined value investing approach. The Investment Management Team selects securities for the Nuance investment portfolios by using an extensive quantitative screening and fundamental research process that identifies leading businesses selling at a discount to fair value and that have the potential to generate above-average rates of returns over time. The Investment Management Team seeks to identify companies across a range of industries and market sectors that have leading and sustainable market share positions, above-average financial strength, and are trading at a discount to their internal view of intrinsic value. The Investment Management Team may sell an investment when it believes it has surpassed its intrinsic value by applying the screening process described above, for purposes of portfolio construction or risk management, or when a more attractive investment opportunity becomes available. For the short side, the Investment Management team seeks to identify companies across a range of industries and market sectors that have average to below average competitive positions and unattractive risk reward profiles. The total firm assets will be defined as all discretionary and non-discretionary assets under management within Nuance. This includes primary investment management accounts, sub-advisory investment management accounts and wrap accounts as well as both fee-paying and non-fee paying assets surpassed its intrinsic value by applying the screening process described above, for purposes of portfolio construction or risk management, or when a more attractive investment opportunity becomes available. This includes primary investment management accounts, sub-advisory investment management accounts and wrap accounts as well as both fee-paying and non-fee paying assets.